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GENERAL

1. Strongly anti-Communist countries look to West for guidance on Asian-African conference:

Japan, Turkey, Thailand and the Central African Federation have assumed a cautious attitude on whether to attend the Asian-African conference at Bandung next April, and are looking to the West for guidance.

If left to their own devices, the Japanese, anxious to enhance their prestige in Asia, will probably attend the conference, the first important postwar meeting to

which they have been invited. Moreover, the Hatoyama government will be under strong public pressure to justify its claims of formulating a "new" and more "independent" foreign policy. At Bandung, Japan would side with the anti-Communists, but would be unlikely to assume a position of leadership.

Meanwhile, Turkey and Thailand continue to feel that the meeting will serve no useful purpose, but their final decisions will be greatly influenced by the attitudes of the United States and Britain. Thailand is apparently worried over the prospect of being isolated and is having serious second thoughts about its impulsive announcement that it would not attend. The Central African Federation probably will be guided entirely by London's views.

The Chinese Nationalist Foreign Ministry will attempt to dissuade those countries in which it has missions from attending. It anticipates some success among the Arab states.

SOVIET UNION

2. Soviet papers adopt Pravda line on importance of heavy industry:

The American embassy in Moscow reports that the discrepancy in positions taken by the 21 December issues of

Pravda and Izvestia, especially in regard to the relationship between heavy and consumers' goods industries, has disappeared in the last five days. It states that all papers have now adopted the line of Pravda, the party newspaper, which emphasized the importance of heavy industry more strongly than had Soviet propaganda in preceding months.

The embassy feels that the extensive press coverage recently given to heavy industry and its relationship to defense, light industry, and agriculture must reflect the fact that this subject has been under review. It is still not clear to the embassy, however, whether the resolution of the discrepancies in the press reflects a policy change giving greater proportional emphasis to defense and capital goods or merely the adoption of a common line until a final decision can be made on this matter. Such a decision presumably would be made after the outcome of the ratification debates on the London and Paris agreements is known.

SOUTH ASIA

3. Removal of block to Afghan-Pakistani negotiations possible:

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Pakistani prime minister Mohammad Ali told Ambassador Hildreth on 3 January that if the Afghan government would publicly renounce claims

to territorial or sovereign rights in the Pushtoonistan area, Karachi would open the door to the development of the region and the betterment of conditions. He added that Pakistan might even agree to the use of the name Pushtoonistan, as desired by Kabul.

Mohammad Ali's statement was made in response to Hildreth's remark that Afghan minister Atiq in Karachi had informed him that Afghanistan was willing to confirm publicly, and in writing, that it had no territorial claims on the area.

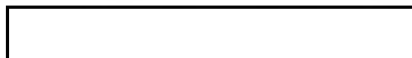
Comment: If Atiq was speaking with the authority of his government, rather than personally, there is hope for the settlement of this seven-year-old dispute. In view

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of Mohammad Ali's response, however, Atiq's statement apparently has not been made directly to the Pakistani government.

Though the acceptance of the use of the name Pushtoonistan would run counter to some public Pakistani statements, Karachi might make this concession provided it was clearly specified that the tribal territory remained under Pakistan's jurisdiction.

NEAR EAST - AFRICA

4. Iraqi official says bilateral treaty with Turkey 'postponed':

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Iraq has postponed the conclusion of a bilateral defense treaty with Turkey in deference to Egyptian wishes, according to an Iraqi Foreign Ministry official. He said that Egypt "pleaded" for more time before the initiation of any action to strengthen ties with the West.

Comment: The conclusion of a bilateral treaty was to have been the main topic of the conversations between the Iraqi and Turkish prime ministers opening in Baghdad on 6 January. If a treaty is not concluded, the two parties may nevertheless reach some form of agreement, such as an exchange of military missions.

WESTERN EUROPE

5. French Council's approval of Paris accords may hinge on prospects for East-West talks and arms production pool:

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Premier Mendes-France proposed to the British ambassador in Paris on 3 January that the West invite the USSR to attend a four-power conference which would be held in May, provided the Paris accords have been ratified by that time by all major

signatories. The premier said his primary motive in making this suggestion was to carry out his pledge to the National Assembly. The British ambassador said he thought this might spur approval of the accords by the French Council of the Republic.

The American embassies in Paris and London have warned that failure of the Western European Union countries to agree on some form of arms production pool could well result in rejection of the accords by the Council, which is expected to act by late February.

The embassy in Paris considers chances more than even that rejection of the accords by the Council would be followed by an adverse vote in the assembly on second reading, since the Gaullist Social Republicans regard the arms pool as the surest way to control West German arms production, and the Popular Republicans strongly back the idea.

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